

Message Text

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PAGE 01 ALEXAN 00995 131249Z
ACTION NEA-10

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TO SECSTATE WASHDC 1247
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C O N F I D E N T I A L ALEXANDRIA 0995

E.O. 11652: GDS
TAGS: EINV, ETRD, EG
SUBJECT: FORD PROJECT

REF: CAIRO 15120

1. SUMMARY - FOLLOWING PARAGRAPHS OFFER ADDITIONAL DETAIL AND SOME FORD COMPANY VIEWS ON STILL INCOMPLETE NEGOTIATIONS FOR PROPOSED DIESEL ENGINE AND TRUCK ASSEMBLY PLANTS IN EGYPT. END SUMMARY.

2. MANAGING DIRECTOR OF FORD MOTOR COMPANY (EGYPT), NICHOLAS OUROUSSOFF, TOLD ME ON EVENING OF 12 SEPTEMBER 1977, THAT AFTER MEETING WITH AMBASSADOR EILTS IN CAIRO PREVIOUS EVENING AND DISCUSSING OUTCOME OF MOST RECENT TALKS WITH GOE (REFTEL), HE AND VISITING FORD EXECUTIVES HAD SUPPER WITH SAID MARE'I, SPEAKER OF PEOPLES' ASSEMBLY. WHILE CHATTING INFORMALLY, MARE'I CASUALLY TOSSED OUT SUGGESTED CHANGE IN SHARE OWNERSHIP WHICH, IF SERIOUSLY PURSUED, COULD JEOPARDIZE WHOLE DEAL.

3. FOR BACKGROUND, OUROUSSOFF EXPLAINED THAT EARLIER PROPOSAL FOR FINANCING ANTICIPATED ONE-THIRD SHARE TO FORD, ONE-THIRD TO GOE AND ONE-THIRD TO "OTHER ARAB INVESTORS." IN BEGINNING STAGES OF THIS PROPOSAL, OUROUSSOFF RECEIVED ASSURANCES THAT USUAL GOE REQUIREMENT OF 51 PERCENT GOE OWNERSHIP IN JOINT VENTURES WOULD
CONFIDENTIAL

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PAGE 02 ALEXAN 00995 131249Z

NOT RPT NOT APPLY. FORD REPRESENTATIVES MADE IT VERY CLEAR AT TIME THAT THEY WOULD NOT BE INTERESTED IN PROJECT IF GOE DID INSIST ON 51 PERCENT.

4. NEWEST GOE REQUEST FOR 40 PERCENT OWNERSHIP WITH FORD AND OTHER ARAB SHAREHOLDERS TAKING 30 PERCENT EACH IS STRETCHING THAT PART OF AGREEMENT TO NEAR BREAKING POINT, BUT FORD EXECUTIVES DO

BELIEVE, HOWEVER, COMPANY COULD LIVE WITH THIS RELATIVELY SMALL
(10 PERCENT) DECREASE IN THEIR SHARE.

5. OUROUSSOFF SAID HE WAS ASTOUNDED, AND HIS COLLEAGUES LIKEWISE
AT SUPPER MEETING, WHEN SAID MARE'I SUDDENLY SUGGESTED THAT "TO
SIMPLIFY THINGS," GOE WOULD TAKE RESPONSIBILITY FOR ENTIRE 70
PERCENT OF NON-FORD FINANCING AND ITSELF "ARRANGE" THE PROVIDING
OF "OTHER ARAB" SHARE OF AGREED FINANCING.

6. OUROUSSOFF TOLD ME HIS AND OTHER FORD MEN PRESENT WERE SO
QUICK AND EMPHATIC IN SAYING "NO WAY*" THAT HE HOPES, IF MARE'I
WAS REALLY SERIOUS, THE IDEA HAS BEEN SQUASHED FOR ONCE AND FOR
ALL.

7. EVEN TOUCHIER ISSUE IS "FIVE PERCENT COMMISSION" ONSALES.
OUROUSSOFF SAYS FORD WILL NEVER ACCEPT THIS. IT OBVIOUSLY COULD
BE INTERPRETED AS TYPE OF "SALES COMMISSION" FOR LITTLE OR NO WORK
THAT HAS GOT OTHER MULTINATIONALS (LOCKHEED, ETC.) INTO TROUBLE.
HE SAYS EL NAZER OF INVESTMENT AUTHORITY SEEMS VERY AWARE
OF POTENTIAL PROBLEM, AND WHEN MARE'I RAISED THIS POINT AT SUPPER,
LEANED OVER TO WHISPER IN OUROUSSOFF'S EAR: "OFFER THEM A
TRAINING CENTER." WHEN OUROUSSOFF SUGGESTED THIS MIGHT BE
EXPLORED, IT WAS TURNED DOWN.

8. RATHER THAN PURSUE ISSUE FURTHER AT THIS TIME, OUROUSSOFF
HAS QUIETLY SUGGESTED (AND EL NAZER AGREED) THAT LATTER SHOULD
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PAGE 03 ALEXAN 00995 131249Z

COME TO WASHINGTON WHEN KAISSOUNI IS THERE NEXT MONTH AND JOIN
WAYNE FREDERICKS IN A FRANK DISCUSSION OF PROBLEMS LATEST REQUEST
WOULD CREATE. OUROUSSOFF AND EL NAZER THINK KAISSOUNI WOULD
THEN BACK OFF AND PERSUADE OTHERS OF DECISION-MAKING STRUCTURE
TO DO THE SAME.
CHASE

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